

Mr. Frank E. Pinckney, Director of Reimbursement and Budget
Lutheran Homes of South Carolina, Inc.
300 Ministry Drive
Irmo, South Carolina 29063

Re:– AC# 3-LMN-J8 – South Carolina Synod, Lutheran Church in America, Inc.
d/b/a Lowman Home, Inc.

Dear Mr. Pinckney:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract periods beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**SOUTH CAROLINA SYNOD,
LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.**

WHITE ROCK, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1999
AC# 3-LMN-J8**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 26, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc., for the contract periods beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 26, 1999

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract periods beginning October 1, 1999, as required by regulations of the United States Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME INC.

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1999
AC# 3-LMN-J8

| | |
|--------------------------------|-----------------------|
| Interim reimbursement rate (1) | \$104.59 |
| Adjusted reimbursement rate | <u>102.17</u> |
| Decrease in reimbursement rate | \$ <u><u>2.42</u></u> |

(1) Interim reimbursement rate from the South Carolina Department of Health and Human Services Computation of Reimbursement Rate dated September 23, 1999

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME INC.**

Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning October 1, 1999
AC# 3-LMN-J8

| | <u>Profit Incentive</u> | <u>Allowable Cost</u> | <u>Cost Standard</u> | <u>Computed Rate</u> |
|--|-----------------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u> | | | | |
| General Services | | \$ 50.18 | \$50.88 | |
| Dietary | | 11.55 | 9.69 | |
| Laundry/Housekeeping/Maint. | | <u>9.78</u> | <u>8.24</u> | |
| Subtotal | \$ <u>-</u> | 71.51 | 68.81 | \$ 68.81 |
| Administration & Med. Records | \$ <u>-</u> | <u>19.57</u> | <u>11.56</u> | <u>11.56</u> |
| Subtotal | | 91.08 | <u>\$80.37</u> | 80.37 |
| <u>Costs Not Subject to Standards:</u> | | | | |
| Utilities | | 3.76 | | 3.76 |
| Special Services | | .22 | | .22 |
| Medical Supplies & Oxygen | | 4.35 | | 4.35 |
| Taxes and Insurance | | .62 | | .62 |
| Legal Fees | | <u>-</u> | | <u>-</u> |
| TOTAL | | <u>\$100.03</u> | | 89.32 |
| Inflation Factor (3.00%) | | | | 2.68 |
| Cost of Capital | | | | 8.08 |
| Cost of Capital Limitation | | | | - |
| Profit Incentive (Max. 3.5% of Allowable Cost) | | | | - |
| Cost Incentive | | | | - |
| Effect of \$1.75 Cap on Cost/Profit Incentives | | | | - |
| CNA Add On | | | | .75 |
| Nurse Aide Staffing Add On | | | | <u>1.34</u> |
| ADJUSTED REIMBURSEMENT RATE | | | | <u>\$102.17</u> |

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME INC.**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-LMN-J8

| <u>Expenses</u> | Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u> | Adjustments | | <u>Adjusted Totals</u> |
|-------------------------------------|--|--------------|-------------------------|----------------------------|
| | | <u>Debit</u> | <u>Credit</u> | |
| General Services | \$3,128,466 | \$ - | \$ 1,766 (2) 128 (2) | \$3,126,572 |
| Dietary | 719,661 | - | - | 719,661 |
| Laundry | 168,383 | - | 20,297 (5) | 148,086 |
| Housekeeping | 306,397 | - | - | 306,397 |
| Maintenance | 156,561 | - | 1,170 (2) 413 (5) | 154,978 |
| Administration & Medical Records | 1,223,707 | - | 4,349 (5) | 1,219,358 |
| Utilities | 234,954 | - | 598 (5) | 234,356 |
| Special Services | 109,259 | 60,704 (3) | 156,374 (2) | 13,589 |
| Medical Supplies & Oxygen | 314,119 | - | 40,991 (1) 1,829 (3) | 271,299 |

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME INC.**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-LMN-J8

| <u>Expenses</u> | Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u> | Adjustments | | <u>Adjusted Totals</u> |
|-----------------------------|--|---|--|----------------------------|
| | | <u>Debit</u> | <u>Credit</u> | |
| Taxes & Insurance | 38,422 | - | 80 (5) | 38,342 |
| Legal Fees | - | - | - | - |
| Cost of Capital | 511,164 | 2,117 (4) | 1,866 (4) 1,281 (5) <u>6,836 (6)</u> | 503,298 |
| Subtotal | 6,911,093 | 62,821 | 237,978 | 6,735,936 |
| Ancillary | 366,345 | - | - | 366,345 |
| Non-Allowable | 2,542,788 | 40,991 (1) 159,438 (2) 27,018 (5) <u>6,836 (6)</u> | 58,875 (3) 251 (4) | 2,717,945 |
| Total Operating Expenses | <u>\$9,820,226</u> | <u>\$297,104</u> | <u>\$297,104</u> | <u>\$9,820,226</u> |
| Total Patient Days | <u>62,313</u> | <u>-</u> | <u>-</u> | <u>62,313</u> |
| Total Beds | <u>176</u> | | | |

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME INC.**

Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-LMN-J8

| ADJUSTMENT <u>NUMBER</u> | <u>ACCOUNT TITLE</u> | <u>DEBIT</u> | <u>CREDIT</u> |
|-----------------------------|--|---------------------------|----------------------------------|
| 1 | Nonallowable Medical Supplies | \$ 40,991 | \$ 40,991 |
| | To adjust to allowable HIM-15-1, Section 2304 | | |
| 2 | Nonallowable Special Services Nursing Maintenance Restorative | 159,438 | 156,374 1,766 1,170 128 |
| | To remove costs not related to patient care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D | | |
| 3 | Special Services Medical Supplies Nonallowable | 60,704 | 1,829 58,875 |
| | To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D | | |
| 4 | Cost of Capital-Depreciation Fixed Assets Other Equity Cost of Capital-Amortization Accumulated Depreciation Nonallowable | 2,117 92,083 12,560 | 1,866 104,643 251 |
| | To adjust Fixed Assets and adjust Cost of Capital for Cost of Capital policy effective 7/1/89 State Plan, Attachment 4.19D | | |

D/B/A LOWMAN HOME INC.

Adjustment Report

Cost Report Period Ended September 30, 1998

AC# 3-LMN-J8

To remove indirect costs applicable
to non-reimbursable cost centers
State Plan, Attachment 4.19D

To adjust capital return to allowable
and to correct DH&HS balance
State Plan, Attachment 4.19D

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.**

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-LMN-J8

| | |
|---|-----------------------|
| Original Asset Cost (Per Bed) | \$ 15,618 |
| Inflation Adjustment | <u>2.2493</u> |
| Deemed Asset Value (Per Bed) | 35,130 |
| Number of Beds | <u>176</u> |
| Deemed Asset Value | 6,182,880 |
| Improvements Since 1981 | 428,985 |
| Accumulated Depreciation at 9/30/98 | (<u>1,113,928</u>) |
| Deemed Depreciated Value | 5,497,937 |
| Market Rate of Return | <u>.063</u> |
| Total Annual Return | 346,370 |
| Return Applicable to Non-Reimbursable Cost Centers | (720) |
| Allocation of Rent and Interest to Non-Reimbursable Cost Centers | <u>953</u> |
| Allowable Annual Return | 346,603 |
| Depreciation Expense | 201,713 |
| Amortization Expense | 19,955 |
| Capital Related Income Offsets | (63,692) |
| Allocation of Capital Expenses to Non-Reimbursable Cost Centers | <u>(1,281)</u> |
| Allowable Cost of Capital Expense | 503,298 |
| Total Patient Days (Minimum 97% Occupancy) | <u>62,313</u> |
| Cost of Capital Per Diem | \$ <u><u>8.08</u></u> |

SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME INC.

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-LMN-J8

| | |
|---|-------------|
| 6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement | N/A |
| Adjustment for Maximum Increase | <u>N/A</u> |
| Maximum Cost of Capital Per Diem | \$ <u>-</u> |
| Reimbursable Cost of Capital Per Diem | \$ 8.08 |
| Cost of Capital Per Diem | <u>8.08</u> |
| Cost of Capital Per Diem Limitation | \$ <u>-</u> |